



eDUMBE MUNICIPALITY

*The most beautiful part
of KwaZulu-Natal*

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Paulpietersburg 3180

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FINANCIAL STATEMENTS

AT 30 JUNE 2006

EDUMBE MUNICIPALITY

FINANCIAL STATEMENTS 30 June 2006

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éDUMBE MUNICIPALITY
FOREWORD
30 June 2006

The current budget was a necessarily austere one again catering basically only for services in the status quo area. The income base remained static while businesses have closed down resulting in lost job opportunities. We have a clear duty to do everything possible to spare ratepayers and users of municipal services the steep rises in rates and tariffs that would be the result of simply passing on all inflationary cost increases. Austerity measures like placing additional burdens on management through reduced staffing levels were a necessity to keep cost within acceptable limits. Although advertisements for posts were placed the Council found it very difficult to attract personnel due to the low level of remuneration offered as a grade 3 municipality.

At the same time, government is increasingly seeking to deploy additional responsibilities to local government, without providing the necessary resources. Based on current statistics only about 20% of the total households in the area of jurisdiction of the local authority can afford to pay for services. The fortunes of Paulpietersburg and its neighbours are inextricably linked. We depend on each other. For long-term stability, all local authorities in this region must have an equitable funding structure. It becomes increasingly difficult to satisfy the residents with the level of services they receive in comparison with neighbouring local authorities who have a much larger income base.

The challenges facing éDumbe and the problems of funding its services are enormous. It is essential that we prioritise our limited resources to ensure that they are applied to the best advantage. It is unfortunately a fact that all capital improvements are dependent on grant funding which is very limited.

The "unification" of the whole demarcated area of éDumbe Municipality under one decision making body responsible for service rendering to its residents is finally a reality starting from 1 July 2003. A major backlog in services, as well as the level of services in the rural areas exists. Although the residents of Bilanyoni, a residential town greater than the entire residential area of Paulpietersburg and Dumbe together, are charged for services their contribution to the income base is very limited due to the fact of high unemployment. Service rendering is entirely dependant on grant funding, which is reduced by 30 % as from 1 July 2004. The final subsidy is to be received during the 2006/2007 financial year. I can only foresee even greater challenges that will have to be met "head-on". The greatest of these will be to improve payment levels for services in Bilanyoni. A continued effort to obtain funding for water meters in Bilanyoni remain high on the agenda in order to curb unnecessary waste of water.

I wish to bring to the notice that this Council uses the plenary system of government. As such no Executive committee exists and as such no councillor, irrespective of affiliation, is excluded from the decision making process. Unfortunately this system do not compensate councillors at the same level as other councillors who serve in an executive committee system, which in itself is a major sacrifice by councillors.

In conclusion I would like to express my appreciation to the Council, Municipal Manager and all staff, for their support, co-operation and hard work.

M S Mncube
SPEAKER

30 SEPTEMBER 2006

**REPORT OF THE AUDITOR GENERAL ON THE ANNUAL FINANCIAL STATEMENTS OF
EDUMBE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

EDUMBE MUNICIPALITY
REPORT OF THE TREASURER
30 June 2006

1. Operating results

The year's operations resulted in an operating surplus of R240800, as follows:

Rates and General Service	- Surplus	R 669587
Electricity Service	- Deficit	R 195629
Water Service	- Deficit	<u>R 233158</u>
Net surplus		R 240800

The anticipated surplus were not realised due to the fact that the Council's electricity tariffs not being increased as anticipated in the budget. The surplus realised is after making the following internal contributions and charges:

Contribution to working capital reserve	R 68 121
Contribution – provision for non payment	R 108 375
Assessment rates implementation reserve	R 1500 000
Indigent relief not claimed	R 2250 000
Other	R 700 000

2. Accumulated Surplus

The accumulated surplus increased from R 3 003 409 at 30 June 2005 to R 3 638 671 at 30 June 2006.

3. Cash Resources

The cash resources increased from R 4 119 100 at 30 June 2005 to R 7 178 385 at 30 June 2006, an increase of R 2 059 280. This is mainly due to the fact that grants received were not fully utilized at year-end. Details of the current year's cash movements can be obtained in the cash flow statement.

Cash resources at 30 June 2006 were not completely sufficient, taking into account the required amount for provisions and statutory funds.

4. Debtors.

These increased from R 8 603 694 at 30 June 2005 to R 9 328 752 at 30 June 2006, an increase of R 725058. The council's policy regarding Indigent relief was better received and was fully implemented. Beneficiaries qualifying for the indigent relief were given the relief backdated to December 1998 upon application and motivation. The Indigent relief is credited monthly to the beneficiaries account.

The council's tariffs were equalised so that no subsidisation takes place.

5. Capital Expenditure

Expenditure for the year totalled R 2 323 845 and is shown in some detail in Appendix C to the financial statements. Almost all capital expenditure was funded from grants.

6. Long Term Loans

There were no long-term liabilities in the current year.

7.Assets register

The council is in the process of compiling a detailed assets register but due to lack of personnel it is a very slow process

8. Special housing fund

The value of infrastructure granted by the conversion of the loan to a grant was transferred to the public improvement fund. Only land sold, developed with the grant, is transferred to the Special Housing Fund

9. Non-payment of accounts.

A serious situation still exists as the residents of the eDumbe and Bilanyoni townships refuse to pay the monthly charges although provision was made for subsidies amounting to R160.45 per month to households who qualify for relief.

Continued threats by the public against the Treasurer are still the order of the day.

10. Management capacity.

The treasury department is severely understaffed which places a tremendous strain on all personnel. The additional workload on the existing staff is seriously hampering the effectiveness of internal controls and effective credit control as well as management. Due to the continuous, above approved limits, rise in employment costs the Council is unable to raise tariffs, which can be recovered to finance the additional expenditure to improve the capacity of administration and management. A further lack of experienced and motivated staff is existent and recruitment of suitably experienced and qualified personnel is severely restricted.

Unless urgent attention is given to the capacity of the management component, the council may find itself in a serious situation should something unforeseen happen to key strategic personnel.

11. Assessment Rates

Although council adopted the policy that it will utilise the rating method based on size it was not possible to introduce this concept during the year under review and hence the methods used are as follows:

Paulpietersburg area	- based on valuation ground only
Dumbe area	- based on a flat rate.
Bilanyoni	- based on a flat rate

TOWN TREASURER
OCTOBER 2006

EDUMBE MUNICIPALITY

30 June 2006

BALANCE SHEET AS AT 30 JUNE 2006

	NOTE	2006	2005
CAPITAL EMPLOYED			
STATUTORY FUNDS	1	2951682	2951682
NON-DISTRIBUTABLE RESERVE		704508	166364
DISTRIBUTABLE RESERVE		5670782	3741399
RESERVES	2	1835000	
UNAPPROPRIATED SURPLUS/ ACCUMULATED DEFICIT		<u>3638673</u>	<u>3003409</u>
 TRUST FUNDS			
CONSUMER DEPOSITS: SERVICES	5	145776	131154
 TOTAL		<u>14946421</u>	<u>9993626</u>
 EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	6	5830058	3922942
LONG TERM DEBTORS		18427	33618
NETT CURRENT ASSETS/(LIABILITIES)		9097936	6037066
CURRENT ASSETS		17330658	13021801
INVENTORY	9	219096	245966
DEBTORS	10	9328752	8603694
CASH RESOURCES	7	7178385	4119100
SUSPENCE		604425	53041
CURRENT LIABILITIES		8232722	6984735
PROVISIONS		1338236	1137416
CREDITORS		6894486	4454871
 TOTAL		<u>14946421</u>	<u>9993626</u>

ACCOUNTING OFFICER

OCT 2006

EDUMBE MUNICIPALITY

30 June 2006

ANALYSIS OF**OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDING 30 JUNE 2006**

ACTUAL 2005		ACTUAL 2006	BUDGET 2006
	REVENUE		
11633433	GOVERNMENT/PROVINCIAL GRANTS/SUBSIDIES	15756287	16667957
1911711	RATES INCOME	2038126	2025994
2841282	SALE OF ELECTRICITY	3243603	3063720
1328304	SALE OF WATER	1468175	1395365
-12455339	OTHER INCOME	11071421	11381425
27513461	TOTAL	33577614	34534461
	EXPENDITURE		
9041330	SALARIES AND ALLOWANCES	9768747	11344622
10333122	GENERAL EXPENDITURE	15467011	19282599
2750099	BULK PURCHASES: ELECTRICITY	3047914	2500000
0	BULK PURCHASES: WATER	0	0
7583023	OTHER	12419097	16782599
3667980	REPAIRS AND MAINTENANCE	3060051	3301900
316665	DEPRECIATION	411582	405137
1108375	CONTRIBUTIONS TO RESERVES	4629422	179422
24467472	TOTAL	33336814	34513680
	<u>Net surplus for the year</u>	<u>240800</u>	

EDUMBE MUNICIPALITY
30 June 2006

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2006

	CURRENT 2006	PREVIOUS 2005
CASH FLOW FROM OPERATING ACTIVITIES		
CASH RECEIPTS FROM RATEPAYERS , GOVERNMENT AND OTHER	32122284	6460307
CASH PAID TO SUPPLIERS AND EMPLOYEES	28295804	4217996
CASH GENERATED FROM OPERATIONS	3826460	-2145573
INTEREST RECEIVED	680594	-10465
INTEREST PAID	0	0
NET CASH FROM OPERATING ACTIVITIES	4507054	-10465
CASH FLOWS FROM INVESTING ACTIVITIES		
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	2323845	0
PROCEEDS ON DISPOSAL OF FIXED ASSETS	0	0
RECEIPTS FROM LONG TERM DEBTORS	-18427	9521
INVESTMENTS		2504000
NET CASH FROM INVESTING ACTIVITIES	2305418	2513521
CASH FLOWS FROM FINANCE ACTIVITIES		
NEW LOANS REPAYED/RAISED	0	0
INCREASE IN CONSUMER DEPOSITS	14622	-1252
OTHER CAPITAL RECEIPTS	704508	1166313
NET CASH FROM FINANCE ACTIVITIES	857649	1165061
NET INCREASE IN CASH AND CASH EQUIVALENTS	3059285	5834621

EDUMBE MUNICIPALITY
ACCOUNTING POLICIES
30 June 2006

MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP issued by the Accounting Standards Board during the financial year, with the exception of GAMAP a standards are fundamentally different to the fund accounting policies adopted in previous financial years.

Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP is set out in Note 30

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP. These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognized Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). These accounting policies are consistent with those of the previous financial year, except as indicated in Note 31.

The Municipality may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Specimen Municipal Annual Financial Statements

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the

Designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/(deficit).

**MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)**

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the Accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realized as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Years Other Years

Infrastructure

Roads and Paving 30

Buildings 30

Pedestrian Malls 30

Specialist vehicles 10

Electricity 20-30

Other vehicles 5

Water 15-20

Office equipment 3-7

Sewerage 15-20

Furniture and fittings 7-10

Housing 30 Watercraft 15

Bins and containers 5

Community

Specialized plant and equipment 10-15

Buildings 30

Other items of plant and equipment 2-5

Recreational Facilities 20-30 Landfill sites 15

Security 5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance. The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 14 on Provisions. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

**MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)**

8 INVESTMENTS Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2 Investment in Associate

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealized gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealized losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

8.3 Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

8.4 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control.

Jointly controlled operations:

The municipality recognizes the assets that it controls, the liabilities and expenses it incurs as well as its share in the revenue that it earned from the sale or provision of goods or services by the joint venture.

Jointly controlled assets:

The municipality's share of its jointly controlled assets and liabilities is recognized in the statement of financial position and is classified according to their nature. Revenue from the sale or use of the municipality's share of the output of the jointly controlled assets, and its share of the expenses incurred is recognized in the statement of financial performance.

Jointly controlled entities:

Interests in jointly controlled entities are stated at cost.

8.5 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realizable values.

8.6 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

8.7 TRADE CREDITORS

Trade creditors are stated at their nominal value.

8.8 REVENUE RECOGNITION

9.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest and rentals are recognized on a time proportion basis.

Dividends are recognized on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of the agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportion basis.

Revenue from the sale of goods is recognized when the risk is passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized

**MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)**

9.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportion basis.

9.3 Indigent relief/equitable share received

The amount of Equitable Share of National Revenue received is recorded in a creditors account. The determined amount of indigent relief is credited to the beneficiary's account on a monthly basis, as per the Council's Indigent Relief Policy. All unused allocations are shown under creditors and deducted from outstanding debtors.

EDUMBE MUNICIPALITY

30 June 2006

FINANCIAL STATEMENT NOTES

	CURRENT	PREVIOUS
1 FUNDS	0	0
ASSET FINANCING FUND	-2857898	-2857898
NON DISTRIBUTABLE RESERVE	-704508	-166362
HOUSING DEVELOPMENT ACCOUNT	-93784	-93784
TOTAL	-3656190	-3118044
REFER TO APPENDIX "A" FOR MORE DETAIL	0	0
2 RESERVES	0	0
VALUATIONS	-1835000	0
TOTAL	-1835000	0
REFER TO APPENDIX "A" FOR MORE DETAIL	0	0
3 TRUST FUNDS	0	0
SUB-ECONOMIC HOUSING	0	0
TOTAL	0	0
REFER TO APPENDIX "A" FOR MORE DETAIL	0	0
4 LONG TERM LIABILITIES	0	0
GOVERNMENT LOANS	0	0
SUB TOTAL	0	0
LESS: CURRENT PORTION TRANSFERRED TO CURRENT LIABILITIES	0	0
GOVERNMENT LOANS	0	0
TOTAL EXTERNAL LOANS	0	0
REFER TO APPENDIX "B" FOR MORE DETAIL	0	0
5 CONSUMER DEPOSITS - SERVICES	0	0
ELECTRICITY AND WATER	-145776	-131154
ACCRUED INTEREST	0	0
TOTAL	-145776	-131154
GUARANTEES IN LIEU OF ELECTRICITY AND WATER DEPOSITS	0	0

6 PROPERTY, PLANT AND EQUIPMENT

	0	0
OWNED PROPERTY, PLANT AND EQUIPMENT	0	0
INFRASTRUCTURE	3626112	943530
COMMUNITY	774374	743387
HERRITAGE	1903625	2049039
OTHER	0	0
HOUSING	0	0
INVESTMENT PROPERTIES	29752	29754
TOTALS	<u>5677976</u>	<u>3175621</u>

6 REFER TO APPENDIX "D" FOR MORE DETAIL

0 0

7 CASH RESOURCES

	0	0
CALL DEPOSITS	11403346	8594123
BANK OVERDRAFT	4224961	4475023

TOTAL7178385 4119100

ALLOCATION OF EXTERNAL INVESTMENTS
IN TERMS OF LEGISLATION SURPLUS CASH IS INVESTED UNTIL USED
SPECIFIC PURPOSES. INVESTMENTS ARE ALLOCATED ON THE
FOLLOWING BASIS
TRUSTFUNDS
ASSET FINANCING FUND
UNUTILISED CAPITAL RECEIPTS
OPERATING ACCOUNT

0 0
0 0
0 0
0 0
0 0
0 0
11403346 8594123

TOTAL11403346 8594123**SUNDRY LOANS**

18427 33618

TOTAL18427 33618**9 INVENTORY**

UNSOLD PROPERTIES

219096 245966
0 0**TOTAL**219096 245966

STOCK IS NET OF SPECIFIC PROVISIONS FOR OBSELECECE

10 CONSUMER DEBTORS	0	0
SERVICE DEBTORS	0	0
RATES	3126985	2612410
ELECTRICITY	553791	463178
WATER	1878317	1459590
SEWERAGE	9216857	6022832
HOUSING RENTALS	0	0
LESS: PROVISION FOR BAD DEBTS	-888237	-758626
LESS: UNCLAIMED INDIGENT RELIEF	-7824950	
OTHER	3265989	
TOTAL	<u>9328752</u>	<u>9799384</u>
10 THE AGING OF DEBTORS IS AS FOLLOWS:-	0	0
RATES BASED ON VALUATION	0	0
CURRENT	145621	0
30-60 DAYS	70643	0
60-90 DAYS	63860	0
90-120 DAYS	59064	0
120-365 DAYS	1160885	0
+365 DAYS	0	0
TOTAL	<u>1500075</u>	<u>0</u>
10 SERVICES (SEWERAGE, ELECTRICITY & WATER)	0	0
CURRENT	-68470	0
30-60 DAYS	466294	0
60-90 DAYS	444330	0
90-120 DAYS	426214	0
120-365 DAYS	11084488	0
+365 DAYS	4042068	0
TOTAL	<u>16531864</u>	<u>0</u>
10 BAD DEBT PROVISION	0	0
PROVISION FOR IRRECOVERABLE DEBT	888237	0
UNCLAIMED INDIGENT RELIEF	7824950	0
	<u>8713187</u>	<u>0</u>
11 OTHER DEBTORS	0	0
PAYMENTS MADE IN ADVANCE	0	0
SHORT TERM LOANS AND OTHER	0	0
TOTAL	<u>0</u>	<u>0</u>
12 PROVISIONS	0	0
RENTAL LOSSES	0	0
SURPLUSES AND DEFICITS	0	0

TOTAL	0	0
13 CREDITORS	0	0
TRADE CREDITORS	-681057	-11036078
DEPOSITS OTHER	-7364	-7364
OTHER	-6213429	0
TOTAL	-6894486	-11043442
14 ASSESSMENT RATES	0	0
RESIDENTIAL	0	0
COMMERCIAL	0	0
STATE	0	0
MUNICIPAL	0	0
TOTAL	0	0
VALUATIONS	0	0
RESIDENTIAL	2068596	0
COMMERCIAL	0	0
STATE	0	0
MUNICIPAL	0	0
TOTAL	2068596	0
NET SURPLUS / (DEFICIT) FOR THE YEAR	240800	-3045989
15 THE FOLLOWING HAS BEEN TAKEN INTO ACCOUNT IN DETERMINING THE SURPLUS/(DEFICIT) FOR THE YEAR:-	CURRENT PREVIOUS	
	0	0
	0	0
	-143907	-19052
BAD DEBTS WRITTEN OFF	0	0
15 DEPRECIATION	0	0
OWNED PROPERTY, PLANT & EQUIPMENT	0	0
INFRASTRUCTURE	155498	2495430
COMMUNITY	117008	6359521
HERITAGE	0	0
OTHER	571018	9744291
HOUSING	0	0

TOTAL DEPRECIATION	411582	405137
OPERATING LEASE CHARGES	0	0
INTEREST PAID	0	0
EXTERNAL LOANS	0	0
FINANCE LEASES	0	0
BANK OVERDRAFTS	0	0
TOTAL INTEREST PAID	0	0
COUNCILLORS' REMUNERATION	636325	451830
MAYOR'S ALLOWANCE	91773	83086
DEPUTY MAYOR'S ALLOWANCE	0	0
COUNCILLORS' ALLOWANCES	0	0
EXECUTIVE COMMITTEE ALLOWANCES	0	0
COUNCILLORS' PENSION CONTRIBUTION	0	0
TOTAL COUNCILLORS' REMUNERATION	728098	534915
INVESTMENT INCOME	0	0
INTEREST RECEIVED	602016	474392
RENTAL RECEIVED	0	0
TOTAL INVESTMENT INCOME	602016	474392
AUDITOR'S REMUNERATION	0	0
FEEs FOR AUDIT	649828	
EXPENSES		361209
PRIOR YEAR (OVER)/UNDER PROVISION	0	0
TOTAL AUDITOR'S REMUNERATION	649828	361209
ABNORMAL EXPENSES	0	0
RESTRUCTURING EXPENSES	0	0
ADDITIONAL BAD DEBTS PROVISION	-888237	-758626
TOTAL ABNORMAL EXPENSES	-888237	-758626
PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES	15150519	10945433
HEALTH SUBSIDIES	605768	688000
INTER-GOVERNMENTAL GRANTS	0	0
TOTAL PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES	15756287	11633433

16 REVENUE

ASSESSMENT RATES ON VALUED PROPERTIES	-2038126	-2083250
SERVICE CHARGES	-6795057	-1005641
REVENUE FROM TARIFFS	-5245462	-4642072
FINES	-135429	-6787825
GOVERNMENT GRANT & SUBSIDIES	-15756287	-11633433
INTEREST	-602016	-474392
RENTAL INCOME	-78577	-109404
OTHER INCOME	-2926140	-758392

TOTAL

-33577614 -27494409

ÈDUMBE MUNICIPALITY

30 June 2006

ASSET FINANCING FUNDS, RESERVES, TRUSTS AND PROVISIONS AS AT 30 JUNE 2006

	OPENING BALANCE	RECEIPTS	INTEREST	EXPEND.	CLOSING BALANCE
FUNDS	0	0		0	
ASSET FINANCING FUND	2857898	0	0	0	28578
NON DISTRIBUTABLE RESERVE	166362	4220196	0	3515688	7045
HOUSING DEVELOPMENT FUND	93784	0	0	0	937
TOTAL	3118044	7171879	0	3515688	67742
RESERVES	0	0	0	0	
VALUATIONS	0	1835000	0	0	18350
TOTAL	0	1835000	1835000	0	36700
TRUST FUNDS	0	0	0	0	
SUB-ECONOMIC HOUSING	0	0	0	0	
TOTAL	0	0	0	0	
PROVISIONS	0	0	0	0	
AUDIT FEES	378795	721032	0	649828	4499
DOUBTFUL DEBTS	758626	129611	0	0	8882
TOTAL	1137417	2349269	2349269	1011033	48249

EDUMBE MUNICIPALITY

30 June 2006

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	CURR. ACTUAL	CURR. BUDGET	PREV. ACTUAL
RATES AND GENERAL SERVICES		2 169 587	2006397	2213655
HOUSING SERVICES				
ELECTRICITY SERVICES		-195 629	-418485	-924839
WATER SERVICE		-233 158	-1617131	-144945
TOWNSHIP DEVELOPMENT				
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>2 740 800</u>	<u>40841</u>	<u>1143871</u>
EXTRAORDINARY ITEMS				
NET SURPLUS/(DEFICIT) BEFORE APPROPRIATIONS				
ACCUMULAED SURPLUS/(DEFICIT): BEGINNING OF YEAR		3 003 027	3003027	1859156
APPROPRIATION FOR THE YEAR		394 462		
PREVIOUS YEAR ADJUSTMENTS				
TRANSFER TO ASSET FINANCING FUND				
TRANSFER TO RESERVES		1 500 000		
ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR		<u>3 638 671</u>	<u>3043868</u>	<u>3003027</u>

ANALYSIS OF FIXED ASSETS

SERVICE

INFRASTRUCTURE
BUILDINGS AND STRUCTURES
ROADS AND SWD INFRASTRUCTURE
SEWER INFRASTRUCTURE
WATER INFRASTRUCTURE

COMMUNITY

BUILDINGS AND STRUCTURES
PARKS AND GARDENS
FURNITURE AND FITTINGS
VEHICLES TRACTORS AND TRAILORS
PLANT AND MACHINERY
TOOLS AND EQUIPMENT
OFFICE EQUIPMENT & MACHINERY
COMMUNITY PROJECTS

HERITAGE

OTHER
FURNITURE AND FITTINGS
VEHICLES TRACTORS AND TRAILORS
TOOLS AND EQUIPMENT
OFFICE EQUIPMENT & MACHINERY
SPECIALISED VEHICLES

COST				DEPRECIATION				CARRYING VALUE
OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	
3862220			3862220	3526644			3526644	335576
1929	0	0	1929	0	64	0	64	1865
0	2077981	0	2077981	0	40185	0	40185	2037796
1764309	33333	0	1797642	1698977	4549	0	1703526	94116
10521527	0	0	10521527	9980834	39821	0	10020655	500872
16149985	2111314	0	18261299	15206455	84619	0	15291074	3626112
	0	0	0	0	0	0	0	0
150701	0	0	150701	75206	2688	0	77894	72807
66314	0	0	66314	1105	13260	0	14365	51949
25764	102299	0	128063	306	8552	0	8858	119205
88321	0	0	88321	736	8832	0	9568	78753
83782	0	0	83782	1396	16756	0	18252	65630
909534	0	0	909534	840552	21224	0	861776	47758
5014922	0	0	5014922	4676650	0	0	4676650	338272
7216765	102299	0	6441637	5595951	71312	0	5667263	774374
			0					
8956688			8956688	8405499			8405499	551189
173490	0	0	173490	28915	34698	0	63613	109877
2182906	105092	0	2287998	1115230	165427	0	1280657	1007341
0	5138	0	5138	0	770	0	770	4368
245756	0	0	245756	11958	49149	0	61107	184649
56000	0	0	56000	4199	5600	0	9799	46201
11614840	110230	0	11725070	9565801	255644	0	9821445	1903625

INVESTMENT PROPERTIES
TOWNSHIP DEVELOPMENT

+

TOTAL

-

748871	0	0	719119	719119	0	0	719119	29752
9987019			9987019	9987019			9987019	0
10765644	0	0	10765644	10706138	0	0	10706138	29752
44840258	2323845	0	47164103	41074345	411575	0	41485920	5677976